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# BANFF OIL LTD.

APR 11 1963

## 1962 ANNUAL REPORT



C A L G A R Y , A L B E R T A , C A N A D A



# BANFF OIL LTD.

## *Twelfth Annual Report*

BOARD OF DIRECTORS	Kenneth S. Battye ..... Baltimore, Maryland Ross H. Faulkner ..... New York, N.Y. Peter Kilburn ..... Montreal, P.Q. Dr. Lester S. Knapp ..... Buffalo, N.Y. Harold W. Manley ..... Calgary, Alberta John C. Rudolph ..... Calgary, Alberta Donald K. Russell ..... New York, N.Y. Watkin Samuel ..... Toronto, Ontario Duane L. Tower ..... Buffalo, N.Y.
OFFICERS	John C. Rudolph ..... President J. J. Saucier, Q.C. .... Secretary Thomas Grandin, C.A. .... Treasurer
HEAD OFFICE	505 Eighth Avenue Building ..... Calgary, Alberta
COUNSEL	Chambers, Saucier, Jones, Peacock, Black, Gain & Stratton ..... Calgary, Alberta Simpson, Thacher and Bartlett ..... New York, N.Y.
AUDITORS	Touche, Ross, Bailey & Smart ..... Calgary, Alberta
TRANSFER AGENTS	Montreal Trust Company ..... Calgary, Alberta Toronto, Ontario Morgan Guaranty Trust Company of New York ..... New York, N.Y.
REGISTRARS	Montreal Trust Company ..... Calgary, Alberta Toronto, Ontario Empire Trust Company ..... New York, N.Y.
STOCK EXCHANGE LISTINGS	Toronto Stock Exchange ..... Toronto, Ontario American Stock Exchange ..... New York, N.Y.



# BANFF OIL LTD.

## *The Report in Brief*

(1961 FIGURES FOR COMPARISON)

	1961	1962	Change + or —
<b>FINANCIAL</b>			
Gas and Gas Products Sales (less royalties) ....	\$ 11,238	\$ 305,791	
Oil Sales (less royalties) .....	277,945	340,280	+ 22.4%
Administrative Expenses .....	109,312	98,074	— 10.3%
Debenture and Bank Loan Interest .....	23,542	75,217	+ 219.5%
Cash Profit .....	73,652	262,462	+ 256.4%
Cash Profit per share .....	2.07c	7.37c	
Net Profit (loss) .....	(221,299)	40,624	
Working Capital .....	(205,708)	7,496	
<b>PRODUCTION</b>			
Pipeline Gas (net Mcf) .....	63,293	1,281,401	
Average Mcf per day .....	173	3,511	
Natural Gas Liquids (net barrels) .....	1,315	31,857	
Crude Oil (net barrels) .....	131,433	155,229	+ 18.1%
Average barrels per day .....	360	425	+ 18.1%
Sales price per barrel of Oil .....	\$2.11	\$2.19	+ 3.8%
Operating costs per barrel .....	.61	.66	+ 8.2%
Net return per barrel .....	1.50	1.53	+ 2.0%
<b>LAND</b>			
Gross Acreage .....	841,999	874,662	+ 3.9%
Net Acreage .....	257,081	212,125	— 17.5%
<b>RESERVES</b>			
Proven Crude Oil (net barrels) .....	3,508,470	4,158,168	+ 18.5%
Proven Natural Gas Liquids (net barrels) ....	1,950,440	1,620,802	— 16.9%
Proven Pipeline Gas (net Mcf) .....	87,697,000	102,336,000	+ 16.7%
Proven Sulphur (net long tons) .....	344,323	429,896	+ 24.9%
<b>WELLS</b>			
Gross Oil Wells .....	94	104	+ 10.6%
Net Oil Wells .....	14.4	18.3	+ 27.1%
Gross Gas Wells .....	48	57	+ 18.8%
Net Gas Wells .....	9	10.5	+ 16.7%
<b>SHARES</b>			
Shares Outstanding (common) .....	3,562,601	3,562,601	
Shares Outstanding (preferred) .....	3,257	3,257	
Number of Shareholders .....	5,942	5,896	

## REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS OF BANFF OIL LTD.

The Twelfth Annual Report of the Company for the year ended December 31, 1962 is presented herewith.

Operations during the year established new highs for the Company in production, income, reserves and exploration activity.

The Petrogas Processing Plant serving the Calgary, Crossfield and Elkton gas fields completed its first full year of production giving the Company important gas revenues for the first time in its history. An aggressive exploration and development program resulted in both fields increasing in size and reserves. The two fields have now established gas reserves sufficient to support additional daily sales of 50 million cu. ft. per day and the operator is currently attempting to find markets for this production.

Important developments at Wimborne during 1962 were Conservation Board approval of concurrent production of oil and gas and a major extension of the field to the northwest where Banff has substantial land holdings. As a result of the Board decision a processing plant will be built at Wimborne during the current year with target date for first delivery of gas being February, 1964.

The Company was very active in exploration during the year, mostly with Jefferson Lake Petrochemicals of Canada Ltd. and Security Freehold Petroleum Limited as partners. The program resulted in extension of gas reserves and discovery of new oil reserves at Matziwin, a gas discovery at Rosemary and Halkirk and the discovery of D-2 and D-3 oil at Bashaw. This latter discovery was the most important development of 1962 for your Company. Approximately ten wildcats are slated for 1963 as the Company geological staff supplies a steady flow of new exploration prospects.

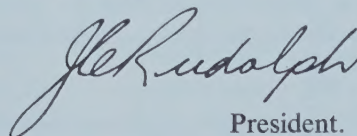
During 1962 Banff issued fifteen-year 6½% debentures in the amount of \$1,100,000 to Northwestern Mutual Life Insurance Company of Milwaukee, Wisconsin, secured on the Company's interest in the Calgary gas fields. It was intended that these funds would be used to retire outstanding bank loans and provide exploration funds, but the heavy development drilling program at Calgary, the Bashaw field development and additional exploration follow-ups have resulted in only partial repayment of the bank loan. Bank indebtedness is expected to increase in the current year as development drilling proceeds at Bashaw. Your Directors are, therefore, continuing to seek long-term financial solutions to the Company's shortage of working capital.

The future of your Company looks very promising as a result of the progress shown during 1962. The year 1963 should bring significant additions to oil income from the Bashaw development while 1964 should bring further substantial increases in oil and gas income when the Wimborne plant goes on production. Thus, Banff Oil should show steady and substantial growth during the coming years.

Early in 1963 Mr. D. H. Russell of The Lehman Corporation, New York, oil consultant to Lehman Brothers, was appointed as a new Director of the Company bringing onto your Board considerable experience in financial problems of the oil and gas industry.

Submitted on behalf of the Board of Directors,

March 28, 1963  
Calgary, Alberta

  
President.



## DEVELOPMENT

Development drilling during the year was mainly in the Calgary and Bashaw fields. Several follow-ups to exploratory wells were also drilled.

WELL	LOCATION	CO. INT.		TOTAL DEPTH	RESULT
Mobil et al Wimborne 7-34	7-34-33-26-4	10	%	7,487'	D-3 Oil Well
Banff Schneider Lake 10-33	10-33-41-13-4	100	%	3,160'	Dry and Abandoned
Banff et al Halkirk 7-10	7-10-40-14-4	30	%	3,495'	Suspended Gas Well
Banff et al Halkirk 9-10	9-10-40-14-4	30	%	3,447'	Dry and Abandoned
Banff et al Bashaw 12-6	12-6-42-22-4	30	%	5,757'	D-2 and D-3 Oil Well
Banff et al Crossfield 14-12	14-12-25-1-5	51.07	%	5,800'	Cardium Oil Well
Banff B.A. et al Bashaw 12-7	12-7-42-22-4	30	%	5,900'	D-2 Oil Well
Jeff Lake CPR Cross 10-24	10-24-25-1-5	5.478	%	7,616'	Dry and Abandoned
Jeff Lake Mobil CPR Cross 2-2	2-2-26-29-4	5.478	%	7,480'	Elkton Gas Well
Jeff Lake CPR Cross 11-23	11-23-25-29-4	2.431	%	7,506'	Crossfield Gas Well

## EXPLORATION

The Company participated in the most active exploration program of its history in 1962. A policy of earning acreage by drilling allowed the acquisition of prospective lands at a reasonable price along with partial evaluation by the earning well. The drilling program consisted of 29 exploratory tests resulting in 5 oil wells (a dual zone completion classed as 2 wells), 6 gas wells and 19 dry holes. All drilling activity was confined to central Alberta in the general Edmonton and Calgary districts.

WELL	LOCATION	CO. INT.		TOTAL DEPTH	RESULT
Banff et al Bashaw 7-14	7-14-42-23-4	15	%	5,755'	Dry and Abandoned
Banff et al Estuary 6-13	6-13-22-29-3	30	%	727'	Dry and Abandoned
Banff Imp et al Leduc 10-34	10-34-49-25-4	50	%	6,041'	Dry and Abandoned
Banff Imp et al Beaumont 10-4	10-4-51-24-4	50	%	5,696'	Dry and Abandoned
Banff et al Smoky Lake 10-25	10-25-59-19-4	50	%	3,610'	Dry and Abandoned
Banff et al Killam 12-21	12-21-43-13-4	22.5	%	3,173'	Dry and Abandoned
Banff et al Halkirk 5-11	5-11-40-14-4	30	%	3,513'	Basal Quartz Oil Well
Banff et al Rosemary 10-26	10-26-21-15-4	15	%	3,510'	Suspended Gas Well
Banff HB et al Forest 10-11	10-11-41-15-4	20	%	3,585'	Dry and Abandoned
Banff et al Galahad 10-32	10-32-40-14-4	22.5	%	3,821'	Dry and Abandoned
Banff et al Parkland 6-27	6-27-15-27-4	15	%	8,012'	Dry and Abandoned
Banff DEA Indus 11-12	11-12-23-28-4	40	%	6,800'	Dry and Abandoned
Banff et al Matziwin 6-10	6-10-23-14-4	75	%	3,335'	Suspended Gas Well
Banff et al Matziwin 7-16	7-16-23-14-4	75	%	3,421'	Mississippian Oil Well
Banff et al Metiskow 10-6	10-6-40-4-4	62½	%	2,794'	Dry and Abandoned
Banff Jeff Lake Alliance 5-11	5-11-40-13-4	15	%	3,397'	Dry and Abandoned
Banff Scurry Nanton 11-12	11-12-16-28-4	31-2/3	%	8,137'	Dry and Abandoned
Banff et al Rosemary 6-27	6-27-21-15-4	15	%	3,530'	Dry and Abandoned
Banff B.A. et al Bashaw 4-7	4-7-42-22-4	30	%	5,834'	D-2 and D-3 Oil Well
Banff et al Little Bow 10-10	10-10-15-26-4	15	%	7,050'	Dry and Abandoned
Banff Jeff Lake B.A. Wim 6-31	6-31-33-25-4	50	%	7,500'	Dry and Abandoned
*Mobil Scurry Pem River A6-15	6-15-47-16-5	11.1	%	8,756'	Suspended Gas Well
*K-S et al Acme 10-23	10-23-29-25-4	11.25	%	7,122'	Dry and Abandoned
*Williamson Banff Spruce 10-9	10-9-60-19-4	25	%	3,909'	Dry and Abandoned
Jeff Lake CPR Cross 7-13	7-13-26-29-4	2.431	%	8,724'	Crossfield Gas Well
Jeff Lake Mobil Cross 1-9	1-9-25-29-4	5.478	%	7,590'	Elkton Gas Well
Jeff Lake CPR Cross 6-20	6-20-25-28-4	2.431	%	8,605'	Crossfield Gas Well
Security Banff Nokomis 14-3	14-3-30-20-2	37½	%	4,063'	Dry and Abandoned
Banff Mobil Matziwin 6-15	6-15-23-14-4	75	%	3,401'	Recompleted as Mississippian Oil Well

\*Farmouts to others.



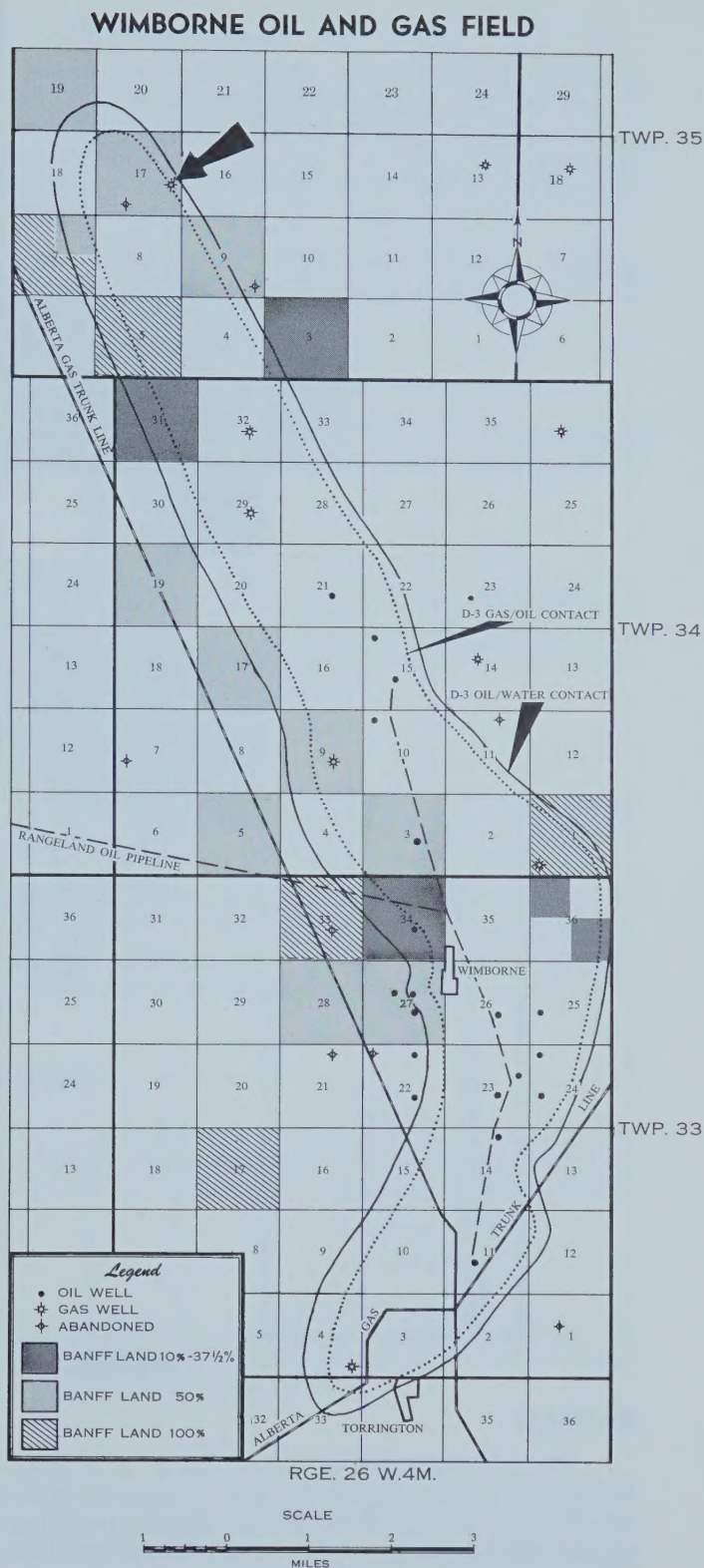
## CALGARY

Development and exploratory drilling continued in the Calgary Elkton and Crossfield Units in 1962, resulting in three Crossfield gas wells, two Elkton gas wells and one abandonment. Revision of interests under the Unit agreements resulted in changing Banff's participation from 5.889% in the Elkton Unit to 5.265% and participation in the Crossfield Unit from 1.979% to 2.43%. Both units showed significant increases in total reserves so that Banff's total gas, liquids and sulphur reserves increased slightly in the Elkton and substantially in the Crossfield. The Petrogas Processing Plant is currently producing at an average of 100 million cubic feet per day from both zones combined.

In addition to the above major Calgary area operations, Banff drilled a Cardium oil well as an extension of the Crossfield Cardium area. This well was completed with an initial potential of 60 barrels of oil per day on pump.

## WIMBORNE

Late in 1962 Banff participated in the drilling of a well in 8-17-35-26 (Banff 50%) which found 22 feet of oil and gas pay in the D-3 zone and extended the field limits three miles northward (see map at right). The Company has interests in  $5\frac{1}{4}$  sections of leases (25% to 100% interest) in the extended productive area, so that Banff's oil and gas reserves should increase significantly. A Unit agreement is currently being negotiated for the field and plant construction is planned to start before mid-year.

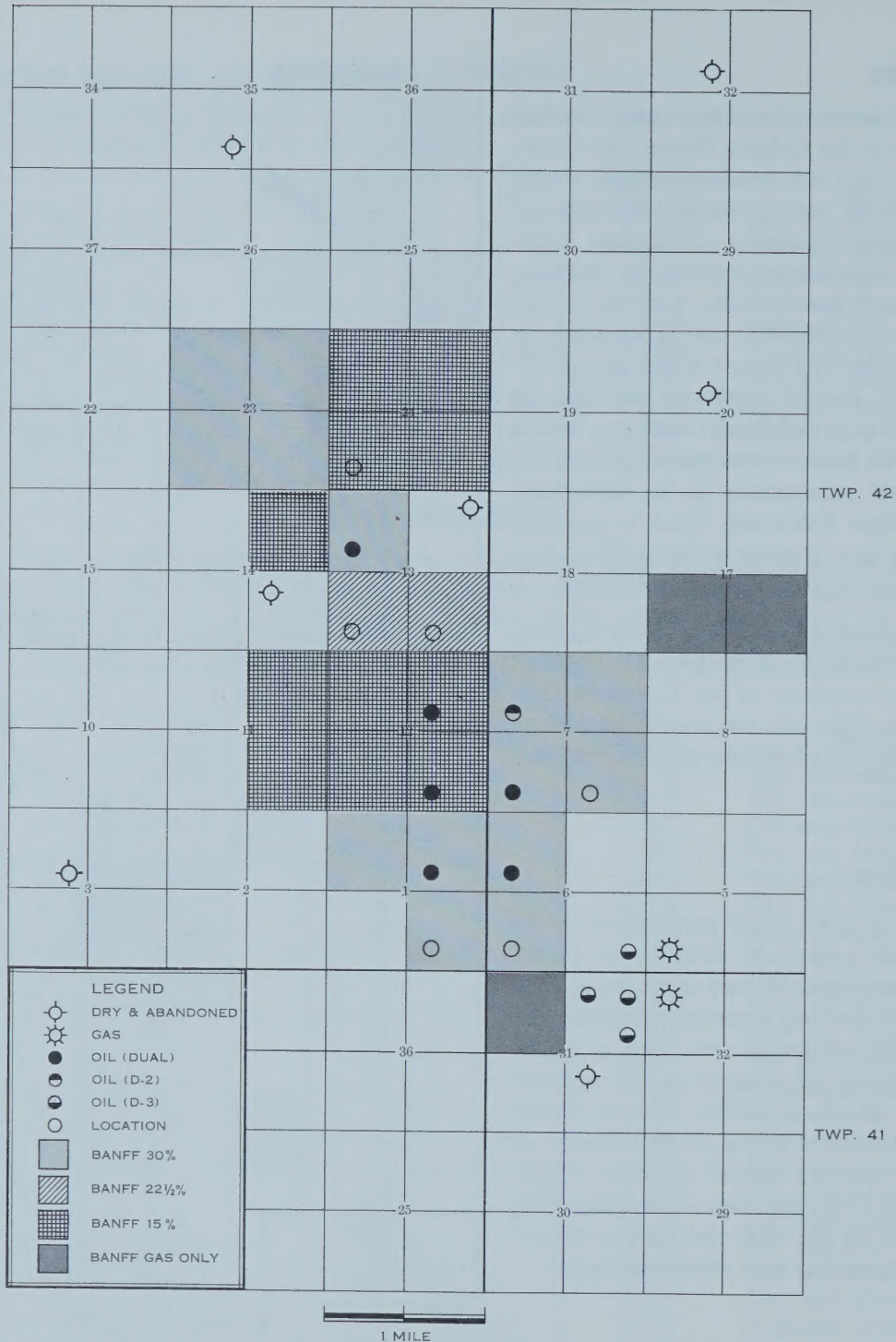




# BASHAW OIL AND GAS FIELD

RGE. 23

RGE. 22 W 4 M



## BASHAW

The discovery well in 4-7-42-22-W. 4 (Banff's interest 30%) found high gravity oil in both D-2 and D-3 zones at 5,750'. The D-2 has 29 feet of pay with an indicated potential of 85 barrels of oil per day; the D-3 has 34 feet of pay consisting of 24 feet gas pay and a 10 foot oil pay with an indicated potential of 240 barrels of oil per day, restricted flow. The discovery initiated a development program which has resulted in 6 dual zone oil wells and a D-2 oil well to date. D-3 oil pay for the field is constant at 10 feet and the gas cap varies from 10 feet to a maximum of 35 feet. Another 6 locations are indicated so development drilling is continuing with two rigs.



## **MATZIWIN - ROSEMARY**

At Matziwin, two wells were drilled to explore the limits of the Viking Sand gas reservoir previously discovered on Banff lands. One resulted in a commercial Viking gas well (13 feet of sand pay at 2,600') while the second discovered medium gravity oil in the Pekisko formation of the Mississippian at a depth of 3,300 feet. Production history to date has been very encouraging so that follow-up drilling is planned for 1963. A previous oil show in the Chert Detrital at the 6-15 well drilled in 1960 was reworked and put on production in 1962.

At Rosemary, ten miles south of Matziwin, Banff and partners drilled two wells, one resulting in a Basal Colorado gas discovery while the second was dry. The Rosemary project is bisected by a gas pipeline and has producing gas fields on either side.

## **ALLIANCE**

A stratigraphic drilling program, carried out in the general Bellshill Lake area of east central Alberta, consisted of five exploratory wells and two development wells. The result was one Basal Quartz oil well and a Basal Quartz gas well.

## **NANTON**

Three wells were drilled in the area with unfavorable results, being the Little Bow, Parkland and Nanton tests. The program was designed as an attempt to establish gas reserves in a favorable marketing area adjacent to major pipelines. Acreage earned by the wells is still highly potential for gas and further drilling is being considered in the area.

## **WESTERN AND NORTHERN ALBERTA**

Banff Oil continues to hold its interest in the Grande Prairie and Wapiti areas of northern Alberta. There was no activity on the Grande Prairie block during the year while on the Wapiti block Banff and partner granted to French Petroleum Company a two-year seismic option.

In the foothills of western Alberta, Mobil drilled Pembina River 6-15-47-16-W. 5 (Banff's interest 11.11%) which discovered gas in the Elkton zone of the Mississippian and a show of gas from a fractured Ireton shale interval which was not commercial when tested through casing. The well was subsequently completed in the Elkton with 12 feet of pay and an initial potential of 3 million cu. ft. of gas per day.

## **LAND**

Banff earned considerable land in 1962 by drilling wildcat tests on specific plays. Attendant with the exploration drilling activity Banff and partners acquired Crown and freehold parcels in many of the local areas where wells were being drilled. Subsequent to drilling, only leases of immediate interest were retained.

## **ALBERTA**

The Company's major effort continued to be centred in southern and central Alberta as dictated by the price structure of land and costs of drilling. Holdings are constantly being reviewed and land which has been condemned by drilling or local study is forfeited.

## **SASKATCHEWAN**

Two wildcat plays in Saskatchewan involved large land spreads with high risk but great potential. At Estuary, in southwestern Saskatchewan, and Nokomis, in central Saskatchewan, Banff held interest in lands for an interim period while wells tested and evaluated the areas. The lands were dropped after wells failed to encounter oil or gas shows.



## ALASKA

There was no activity on Company lands during the year.

## SPAIN

Due to the lack of reliable information on activities in Spain in which the Company had an interest, it was decided to withdraw from this phase of exploration. Accordingly, Banff's shares in SIPSA, a Spanish exploration company, were sold during the year resulting in a net profit of \$15,336 over our total investment.

## ROYALTIES

The total royalty holdings as of December 31, 1962 are as follows:

	<u>GROSS ACRES</u>	<u>NET UNITS</u>
Alberta .....	115,884	1,089
	(one unit equals 1% on 160 acres)	

The Company receives about \$3,000 annual income from royalties held under producing properties in Alberta.

## PRODUCTION AND RESERVES

The Company produced a total of 155,229 barrels of oil, 1,281 MMcf of pipeline gas, 31,857 barrels of natural gas liquids and 1,001 long tons of sulphur during 1962. This represents an 18.1% increase in oil production and the first significant production of gas, liquids and sulphur.

As of December 31, 1962 the Company had varying interests in 104 oil wells equivalent to 18.3 net oil wells and in 57 gas wells, equivalent to 10.5 net gas wells.

The reserve estimates of the Company continue to be kept current based mainly on third-party studies such as provided by Unit Committees and by consultants for financial purposes. Oil reserves increased considerably due to discoveries at Matziwin, Bashaw and North Wimborne (Kneehill) and improved production performance of older properties. Natural gas liquids (condensate) reserves are lower because of establishment of lower liquid content of the Wimborne gas cap. It should be noted that these reserve figures do not include any LPG's. After allowing for 1962 production Banff has net proven and drilled reserves of:

	<u>TOTAL AT DEC. 31, 1961</u>	<u>NET CHANGE</u>	<u>TOTAL AT DEC. 31, 1962</u>
Crude Oil (net bbls.) .....	3,508,470	649,698	4,158,168
Natural Gas Liquids (net bbls.) .....	1,950,440	(329,638)	1,620,802
Pipeline Gas (net Mcf) .....	87,697,000	14,639,000	102,336,000
Sulphur (net long tons) .....	344,323	85,573	429,896

## FINANCIAL

The Company recorded a net profit for 1962 after all charges of \$40,624 compared to a net loss of \$221,299 for the previous year. Working capital at the end of the year stood at \$7,496, an increase of \$213,204 over 1961. Administrative expenses were markedly lower in 1962, due mainly to recoveries from our exploration program. Bank loans were paid off to the extent of \$94,441 during the year. The Company made capital expenditures of \$270,000 for the drilling and equipping of new oil and gas wells while exploration and dry hole costs totalled \$451,000. Land acquisitions amounted to \$112,000 and land rentals to \$120,000.



## AUDITORS' REPORT TO THE SHAREHOLDERS

BANFF OIL LTD.

Calgary, Alberta

We have examined the balance sheet of Banff Oil Ltd as at December 31, 1962 and the related statement of profit and loss and deficit for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and related statement of profit and loss and deficit are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1962 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.

March 22, 1963.

TOUCHE, ROSS, BAILEY & SMART,

Chartered Accountants.

### STATEMENT OF PROFIT AND LOSS AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1962

	1962	1961
Crude oil and gas sales, less royalties .....	\$ 646,071	\$ 289,183
Production expenses .....	220,382	83,165
	<hr/> 425,689	<hr/> 206,018
Administration and general expenses, less recoveries .....	98,074	109,312
Interest on long term debt .....	75,217	23,542
Interest income .....	(10,064)	(488)
	<hr/> 262,462	<hr/> 73,652
Operating cash profit .....		
Deduct		
Depletion .....	82,002	67,761
Depreciation .....	39,215	37,183
Oil and gas rights abandoned (Note 1) .....	73,083	166,676
Exploration, rental and drilling costs on properties abandoned (Note 1) .....	41,352	23,331
Amortization of debenture discount and expense .....	1,522	—
Profit on sale of investment .....	(15,336)	—
	<hr/> 40,624	<hr/> (221,299)
NET PROFIT (LOSS) FOR THE YEAR .....		
Deficit at beginning of year .....	2,239,956	2,018,657
Deficit at end of year .....	<hr/> \$ 2,199,332	<hr/> \$ 2,239,956

# BANFF OIL LTD.

## Balance Sheet at

### ASSETS

#### CURRENT ASSETS

	1962	1961
Cash .....	\$ 153,523	\$ —
Marketable securities, at cost (Market value 1962 \$12,038, 1961 \$5,635) .....	15,000	7,000
Accounts receivable .....	288,055	95,643
	<hr/> 456,578	<hr/> 102,643

#### INVESTMENTS AND OTHER ASSETS, at cost

Wholly owned subsidiary shares (\$1,000) and advances .....	29,281	21,825
Other investments .....	53,893	78,615
Refundable deposits .....	11,100	19,100
	<hr/> 94,274	<hr/> 119,540

#### PROPERTIES AND EQUIPMENT, at cost

Producing properties .....	2,934,777	2,385,164
Accumulated depletion .....	(725,137)	(643,135)
Non-producing properties (Note 1) .....	2,009,901	1,822,239
Production and other equipment .....	455,119	364,373
Accumulated depreciation .....	(219,985)	(180,770)
	<hr/> 4,454,675	<hr/> 3,747,871

#### DEFERRED CHARGES

Unamortized debenture discount and expense .....	73,876	—
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Signed on behalf of the Board,

J. C. RUDOLPH, Director.

PETER KILBURN, Director.

<hr/> \$5,079,403	<hr/> \$3,970,054
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December 31, 1962

## LIABILITIES

### CURRENT LIABILITIES

	1962	1961
Bank overdraft .....	\$ —	\$ 246
Accounts payable .....	244,352	99,962
Preferred dividends payable .....	8,143	8,143
Current portion of long term debt .....	196,587	200,000

### LONG TERM DEBT

6½% Secured debentures, issued \$1,100,000.00, maturing June 1, 1977, repayable in semi-annual instalments of principal and interest of \$57,949.88 .....	1,077,800	—
Bank loan, secured .....	571,091	665,532
	1,648,891	665,532
Deduct		
Current portion .....	196,587	200,000
Debenture redemption fund .....	42,493	—
	1,409,811	465,532

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK

Authorized		
7,000 cumulative redeemable convertible 5% preferred shares of \$100 each		
6,000,000 common shares of 50c each		
Issued		
3,257 preferred shares .....	325,700	325,700
3,562,601 common shares .....	1,781,300	1,781,300
	2,107,000	2,107,000
PAID-IN SURPLUS .....	3,312,842	3,329,127
DEFICIT .....	(2,199,332)	(2,239,956)
	3,220,510	3,196,171
	\$5,079,403	\$3,970,054

The accompanying notes are part of the financial statements.

## EXPLANATORY NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1962

### 1. ACCOUNTING POLICY

All acquisition, exploration, rental and drilling costs are capitalized as non-producing properties. Costs relating to properties surrendered and costs of unproductive wells remain capitalized unless all properties within the related area are abandoned. If properties prove productive, the related costs are transferred to producing properties. Capped gas wells are included in non-producing properties.

Depletion of producing properties is provided for on the unit of production method based on estimated recoverable reserves. Depreciation of production and other equipment is provided for on the straight line method at the rate of 10% per annum.

### 2. SUBSIDIARY COMPANY

There are no accumulated profits or losses in the accounts of the wholly owned subsidiary, Seacrest Oil Company, and its accounts are not consolidated with those of Banff Oil Ltd. because of their relative immateriality.

### 3. CAPITAL STOCK

During the year options were granted to certain employees for the purchase of 30,000 common shares in varying instalments to January, 1966 at prices of \$1.35 and \$1.38 per share. No options were exercised during the year. At December 31, 1962 options were outstanding to directors, officers and employees for a total of 125,000 common shares exercisable in varying instalments to January, 1966 at prices ranging from \$1.05 to \$1.45 per share, the price in each case being not below the market value on the granting date.

An additional 97,710 common shares are reserved for the possible conversion of preferred shares.

### 4. PAID-IN SURPLUS

Paid-in surplus represents premiums on common shares issued, less dividends paid on preferred shares. In 1962, the dividends paid on preferred shares at \$5.00 per share amounted to \$16,285. At December 31, 1962, no dividends were in arrears.

### 5. INCOME TAX

For income tax purposes the company is entitled to deduct drilling and exploration expenses currently and may carry forward any excess of such costs over income. As a result, no income tax is payable for 1962, and there is a substantial carry forward at December 31, 1962 for application against the income of future years.

### 6. STATUTORY INFORMATION

Administration and general expenses in 1962 include directors' fees of \$1,800.





